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FISCAL IMPACT STATEMENT

LS 7409
BILL NUMBER: SB 566

NOTE PREPARED: Mar 27, 2007
BILL AMENDED: Mar 26, 2007

SUBJECT: Medicaid Claims and Psychiatric Facility Funding.

FIRST AUTHOR: Sen. Dillon
FIRST SPONSOR: Rep. C. Brown

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: X **GENERAL**
X **DEDICATED**
X **FEDERAL**

IMPACT: State & Local

Summary of Legislation: (Amended) This bill requires an insurer to accept a Medicaid claim for services provided a Medicaid recipient for three years after the date the service was provided. The bill specifies the circumstances in which a Medicaid claim may not be denied by an insurer. It also states that notice requirements may be satisfied by electronic or mail submission (current law provides only for certified or registered mail). The bill further requires an insurer to accept the state's right of recovery and assignment of certain rights as required by federal law.

The bill adds certain less restrictive settings to the definition of children's psychiatric residential treatment services.

The bill prohibits the Office of Medicaid Policy and Planning (OMPP) or a contractor of OMPP from reducing Medicaid provider's reimbursement rates during a state biennial budget period, if OMPP has reverted appropriated money to the state General Fund during the previous state fiscal year.

The bill requires OMPP to accept a Medicaid claim for services provided a Medicaid recipient for three years after the date the service was provided. It also specifies the circumstances in which a Medicaid claim may not be denied by OMPP or a Medicaid contractor. The bill further requires OMPP to pay Medicaid claims at a rate equal to the highest rate of the state employee health plan.

Effective Date: July 1, 2007.

Explanation of State Expenditures:

Explanation of State Revenues: *Medicaid Claims for Services - Third-Party Recoveries:* The provisions regarding Medicaid claims for services provided to Medicaid recipients that are or were also covered by another insurer bring the state statute into compliance with provisions of the federal Deficit Reduction Act of 2005. This provision may result in additional recoveries of Medicaid reimbursements. The Office of Medicaid Policy and Planning has estimated that annually an additional $3.2 M could be recovered. Recoveries are distributed between the state and federal government on the basis of the percentage paid by each. The state General Fund recovery is estimated to be $1.2 M.

(Revised) *Medicaid Claims Payments Submission Deadlines and Denials:* The bill would extend the claims payment deadline within the Medicaid program to up to three years after the date of service. The bill also excludes certain other reasons for claims denial. The bill would further require that all claims be paid at a rate equal to the highest rate of a state employee health plan. This rate would apply to all services and would be higher than the rates paid by Medicare. The bill is not clear with regard to the treatment of reimbursement for Medicaid services that are not covered by employee health plans such as long-term care. Increased spending would be dependent on the relationship of the current Medicaid reimbursement rates to the highest rates paid by a state employee health plan. The total estimated FY 2007 Medicaid expenditures for non-long-term care services is $2,524.8 M. (This includes both state and federal shares.) Every 1% increase in this spending would require an additional $25.2 M in total expenditures. Every 10% increase would require $252 M. (The state share of total Medicaid expenditures is approximately 38%, or $95.8 M.)

(Revised) *Children's Psychiatric Residential Treatment:* The bill would provide that services eligible under the program include treatment services in settings other than institutional settings. The bill specifies that children served in alternative settings must be eligible for admission to a residential treatment facility. This may ultimately provide for cost savings to the Medicaid program if children can receive services outside of an institutional setting. It may also allow for more intensive care after a period of inpatient care.

(Revised) *Prohibition of Medicaid Reimbursement Reductions:* The bill will prohibit the reduction of reimbursement rates for services provided under Medicaid in the second year of a budget biennium if in the first year of the biennium OMPP reverted any monies appropriated to the Medicaid Program to the General Fund.
This provision could limit options for cost containment available to OMPP during the second year of a budget biennium. The fiscal impact would be dependent upon the appropriation levels determined by the General Assembly. (The Medicaid appropriation is open-ended; if the appropriation is not sufficient to cover the expenditures made for entitlement services, the necessary funds are appropriated to make up any short-fall.)

The Medicaid Program is jointly funded by the state and federal governments. The state share of program expenditures is approximately 38%. Medicaid medical services are matched by the federal match rate (FMAP) in Indiana at approximately 62%. Administrative expenditures with certain exceptions are matched at the federal rate of 50%.

Explanation of Local Expenditures: The bill would allow home and community based services to be included in the services available to children that require an institutional level of care for psychiatric treatment. Depending on individual circumstances, this could result in savings to the counties.

Background: Before the separate PRTS levy was established, counties provided payment for inpatient residential treatment services for children determined to be wards of the court from the county Family and Children's Fund at 100% of the cost. When the PRTS levy was established in CY 2004, the Family and

Children's levy was reduced by the amount spent for the inpatient residential treatment services, while the PRTS levy was calculated on what the state Medicaid share of those costs would have been, resulting in a net decrease between the two levies. The separate PRTS levy provided a methodology for leveraging Medicaid funding when available, requiring the county to provide the state share of the Medicaid program cost for all (not just the wards) Medicaid-eligible children under the age of 21 years in the county that are certified for placement in psychiatric residential treatment facilities. (The expenditures paid from this county fund can vary widely, especially for smaller counties. Unlike the Medicaid for Wards levy, the PRTS levy does not have a maximum levy limit. The tax levy for the county PRTS fund is based on the budgeted anticipated costs for the county's children's residential psychiatric services that are equal to the state share of the cost of services that are reimbursable by Medicaid, or about 38% of the total cost of the Medicaid services.

Explanation of Local Revenues: The bill does not influence the amount of local revenue raised for this purpose since there are no changes to how the levy is determined.

State Agencies Affected: Office of Medicaid Policy and Planning, Family and Social Services Administration.

Local Agencies Affected: County Auditors.

Information Sources: Deficit Reduction Act of 2005; Department of Child Services; Office of Medicaid Policy and Planning, Family and Social Services Administration.

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